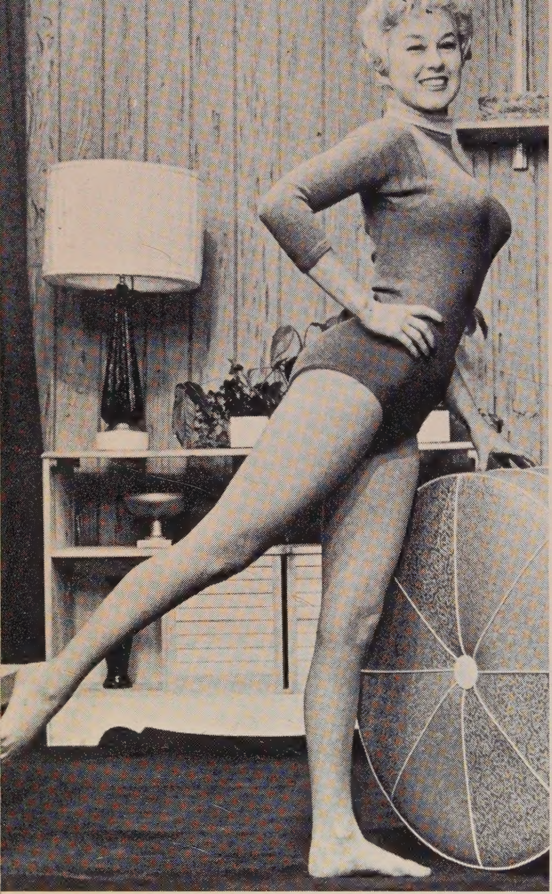
June 7, 1961

Investor's Reader

For a better understanding of business news

TEXAS EASTERN PIPES EAST TO BIG BOARD (see page 21)



DEBBIE DEVELOPMENT

Meet Debbie Drake, a self-styled self-made success ("at 13, I was about the most shapeless thing anybody ever saw") who credits both her 38½-22-36 figure and her $80,000 income (1961 expectation) to proper exercise. The income is earned by Debbie Drake Productions whose stock obviously offers an exceptional combination of glamor and growth but which, unfortunately for investors, is strictly a personal holding company. However, investors as well as other appreciative citizens are now able to watch the corporation's operations in most parts of the country since it believes strongly in geographic diversification.

The principal operations consist of a weekdaily quarter-hour of televised calisthenics conducted by 30-year-old Debbie. The 15 minutes include suitable allowance for commercials but earnest viewers are not denied the benefits of sustained exercise since sponsors normally make their pitch while the home practitioners complete the 15 kneebends or stretch exercises on which they have been started by their persuasive-voiced leader.

Debbie's home station is WISH-TV in Indianapolis which put her on the air a year ago January and last October decided to sell the show to other stations. Syndication is handled by Manhattan's Banner Films which reports the show is now seen on 66 stations and still expanding strongly; "we've added ten stations just in the past month or so." While no one questions Debbie develops deep male devotion, the show is intended for women willing to work towards a more Debbie-like shape. This is borne out by the housewife-slanted commercials which mostly feature local products such as Luzianne coffee in New Orleans and Redfern Sausage in Atlanta. But sponsors in some cities also include national companies like supermarketeer Kroger (one of Debbie's first and still highly enthusiastic Indianapolis backers) and Foremost Dairies.

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Investor's Reader

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The State of the Stock Market (Cont.)

Merrill Lynch Raises Margin Minimum; Hot New Issues Are Cooling

It is neither the policy nor the practice of the INVESTOR'S READER *to publish stories concerning Merrill Lynch. The magazine devotes virtually all of its pages to the activities of others. Nonetheless we feel the following article will interest our readers especially at this stage of the securities market*—Editor.

ON JUNE FIRST Merrill Lynch doubled its minimum require-ments on all new margin accounts. On and after that day any person who desired to open a new securities margin account had to deposit at least $2,000 cash or acceptable securities. The firm's previous minimum was $1,000.

Last week when Merrill Lynch chairman Michael W McCarthy announced the change in the house rule, he emphasized the sole purpose of the move "is to encourage persons of limited means to invest only with cash." He added: "As always we welcome small accounts but we would rather see an individual pay cash for $2,000 worth of good securities than open a margin account to purchase $2,800 worth."

The increase in the firm's minimum does not affect the 70% initial margin required by the Federal Reserve Board. Said McCarthy: "The 70% minimum has proved more than adequate and should not be increased."

Merrill Lynch plans no change in margin requirements for a Special Subscription Account—better known as SSA. This is a particular category established by the FRB to facilitate purchase of stock offered on a rights basis. Present margin requirements are 25% of the total value although Merrill Lynch requests a minimum of 30%. This

special margin arrangement was used by thousands of investors when American Telephone offered almost one billion dollars worth of new shares a few weeks ago.

Under Federal law, all listed stocks are eligible as margin collateral. Merrill Lynch accepts virtually all Big Board stocks (except those below $2 a share) but only a limited number of stocks on all other exchanges. Regardless of value, stocks which are unlisted cannot be used.

Natural Follow-Through

The new margin minimum of Merrill Lynch is a natural follow-through to a series of policies designed especially for the smaller investor. As far back as 1940 the firm declared itself against service charges of any kind (safekeeping, special research, legal transfers, etc). The firm still has no service charges.

In August 1954 the firm published its "penny stock" policy under which it refused to purchase any unlisted stock which sells for less than $2. The rule was written during the abortive uranium boom of the time. An adjacent table shows the sad fate of some of the new issues which were offered to the public in the 1953-54 period.

Two lesser known house rules are: 1) nobody working for Merrill Lynch can buy any public offering until all customer orders are filled; 2) nobody working for the firm can benefit personally from advance information gathered for the use of customers.

As a continuation of Merrill Lynch's 21-year policy of a "broad program of public education about investing," the firm has recently stepped up its advertising—on the cautionary side. Two fresh examples are:

- Wall Street is not a one-way street —"It never was. It never will be."
- "Should You Invest?"—only if you can answer three pointed questions about living expenses, insurance and an emergency cash reserve (see illustrations).

Meanwhile the stock market acts as though it had a mind of its own—admittedly a collective one. The well-watched Dow-Jones industrial averages bulled to a historic high above 700 before they were chilled by the announced investigations of Wall Street by the SEC and Congress, the much-publicized duPont-GM decision and then the monopoly

Don't you believe it. Wall Street isn't just a one way street. It never was. It never will be.

Stock prices may move up.

But stock prices can move down too.

And that's worth remembering any time stock prices are making headlines—or new highs.

True, we've always believed in the long range future of American business and the long range future of American investment.

As a matter of fact, since the turn of the century, leading averages of common stock prices have shown an average increase of 3% a

But th

charges against American Telephone.

The D-J industrial average consists of only 30 stocks and obviously cannot tell the whole story. While these well-known, seasoned stocks rose briskly in recent months, many of the *nouveau-riche* glamor stocks took a back seat. Declines from 1960-61 highs are especially marked in such recent favorites as recreation, electronics, real estate, vending and space.

Some of these cross-currents have lapped over into the sizzling new issue market which for months has dazzled investors with a seemingly endless series of plus signs. As with the new issue binges of 1945-46 (IR, April 26) and 1953-54 (see adjacent table) the movement may be simply running out of steam. Furthermore some investors are obviously paying heed to two stern warnings from the president of the New York Stock Exchange together with words of caution from many leading brokers.

While most of the recent new issue speculation has been in stocks offered below $10, even the better-grade items have felt the chill. For example, Charles of the Ritz was offered at 25, quickly spurted to 46 but at presstime had backed down to 35; Howard Johnson was offered at 38, raced to 52 and back to 44. First public offerings of two venerable publishing houses, D C Heath

SOME NEW ISSUES FROM THE 1953-54 VINTAGE

Stock	Offering Price	Latest Available Report
Athabasca Uranium Mines.........	1¼	July 1958 quote: ¼ bid, ¾ asked
Cable Link "A"..................	3	Unable to find any public market
Crown Cinema....................	4	Unable to find any public market
Dealer's Discount...............	5	1½ bid
Giffen Industries...............	4	2¼ bid, 2¾ asked
KLB Oil.........................	2½	Unable to find any public market
Paley Mfg (renamed Circle Air Ind in 1954)	3	Unable to find any public market
Ramie Corp......................	1	Unable to find any public market
Rockhill Productions............	2	5¢ bid, 25¢ asked
Silver State Oil & Gas..........	1	Unable to find any public market
Texota Oil......................	5	¾ bid, 1 asked
Tyte Products "A"...............	2	Unable to find any public market
Woonsocket Rubber & Plastics......	3	Unable to find any public market

and Grosset & Dunlap, quickly rose to premium prices but soon eased.

The Summer issue of Merrill Lynch's *Security & Industry Survey* just off the press describes the business outlook as favorable. The *Survey* also considers the technical position of the stock market as sound, specifically cites the "sharp expansion in market breadth," the "extraordinary volume" which "is favorable in an advance" and also the record level of customer cash balances with brokerage firms.

Furthermore, "while most statistics indicate that the institutional investor has been an aggressive buyer in this market, the smaller investor has remained skeptical. It is normal for odd lot investors to buy substantially more than they sell but so far this year they have sold slightly on balance—a phenomenom which occurs in the early or middle stages of strong market advances." The "one technical area which lacks strength is the low level of short selling although it is low only when compared to current high volume."

But the *Survey* warns: "It appears unlikely that any further advance in stock prices will be as indiscriminate with regard to quality and fundamentals as the one to date * * * The early speculative favorites are most likely to be the first to top out or decline."

Over the long run, stocks rise or fall on their individual merits and they frequently ignore the performance of the market as a whole. Such being the case, there is still no substitute for the credo "Investigate—Then Invest."

STEEL

National Becomes a Chicago Steelmaker, Expands Detroit Unit

STEP BY STEP the finishing facilities of US No 5 steel giant National Steel Corp's new Midwest Steel Corp unit are being put into production. The final step—production of cold-rolled sheet—is expected at the new plant at Portage, Ind late this Summer. Just this month the electrolytic tin line begins production, on schedule. The continuous galvanizing line went into operation in January, ahead of schedule.

Located 20 miles east of Chicago in what has become the largest US steel consuming area, the new 750-acre site will ultimately include facilities for basic steel production—blast furnaces and steelmaking furnaces. When these are built, it will be the first major American steel plant built from the ground up since the Fairless Works of US Steel in late 1952—though additions and improvements to existing plants have boosted the country's steel capacity an estimated 30% or more in the interim. National will then have three integrated plant complexes, the Weirton Steel Company in Weirton, W Va (close to Pittsburgh), Great Lakes Steel Corp in Detroit and the new Midwest Steel Corp.

While staking out a beachhead on the shore of Lake Michigan, National is also adding to its Detroit area facilities. There it is building what it calls the "mill of the future" which will feature an 80-inch continuous strip mill supervised by an electronic computer. Some 2,160 feet or eight

city blocks long, the mill will have a yearly capacity of 3,600,000 tons, roll slabs twelve inches thick and 30 feet long and turn out coils which will stand as high as six feet and weigh up to 70,000 pounds—more than double the maximum size of the coils which are rolled on most mills now.

To feed this mill the company is building two huge oxygen furnaces each capable of melting 250 tons of steel in a single batch. And a single batch in this advanced type of furnace can be processed in one hour compared to eight hours or more for the usual open hearth furnace. Key to the efficiency of the furnaces, of course, is the use of pure oxygen to speed combustion. This is accentuated by the fact that the oxygen handling capability is built in, rather than added to an existing furnace—a development which has boosted capacity for many makers. National's furnaces are to be completed a year from now.

Capacity Boost

The combined capital program at Midwest Steel and Great Lakes Steel is expected to add about 700,000 tons to National's approximately 7,000,000-ton capacity. Through the end of 1960 it has cost National $193,000,000 and the company estimates the rest of the program will bring the total outlay to $345,000,000. This is $45,000,000 more than the program announced by National in February 1959; the additional amount is accounted for largely by the new oxygen furnaces.

National Steel has been experiencing better times than its beleaguered industry colleagues though its sailing has been by no means smooth. Demand for its major products, sheet steel for automakers and tinplate for can makers, has been helpful. Tinplate production has tended to be comparatively steady and dependable while demand for steel used in autos has improved in recent weeks.

The new Great Lakes mill is expected to smooth out its production schedule thanks to the new Midwest facilities. During periods of slow automobile steel demand, Great Lakes will make and stockpile steel for Midwest; at times when auto company demand perks up, Great Lakes will concentrate on filling that need while Midwest draws on its stockpile.

During all of 1960 National Steel was able to operate at 82% of its rated 1960 capacity compared with an industry-wide figure of 67%. It earned $41,937,000 or $5.53 a share, off from $53,897,000 or $7.28 a share in 1959. Though recession was creeping up, National managed to earn its 75¢ quarterly dividend all last year and even in the first quarter of 1961—a distinction shared only with Granite City and Inland among the major steelmakers.

Despite its good post-strike and mid-recession performance relative to other steel companies, National has some distance to go to top its earnings record of $57,810,000 or $7.88 a share, established in 1950. Its stock trades around 91, somewhat below its alltime high of 98½, established in the Soaring Sixties phase of post-steel strike optimism.

BUSINESS AT WORK

RETAIL TRADE
Premium on Discounts

DISCOUNT STORES have mushroomed all across the landscape in recent years. Two weeks ago No 1 worldwide variety chain F W Woolworth Company dealt itself in on the discount boom by announcing the imminent establishment of special units in this field. Several other major retailers disclosed similar plans.

But two other developments of the past fortnight indicate that the estimated $5 billion-a-year, 3,000-store industry has truly arrived on the status-conscious US scene: 1) the publishers of *Super Market Merchandising* gave the industry its own magazine, *The Discount Merchandiser;* 2) a group headed by New York discounter Stephen Masters launched a US-wide drive to line up members for a National Association of Discount Merchants, complete with plans for a membership newsletter and of course an annual convention.

BUILDING MATERIALS
Gladding McBean Tidings

SLACK in steel, construction and general business chipped the performance of West Coast clay products leader Gladding McBean & Company during the past year. The company's sales slipped 4% to $35,900,000 in 1960. Earnings were additionally hurt by increased costs, a month-long strike at one of the company's ten plants and severe price competition in floor & wall products. As a result they dropped to $2,670,000 or $1.56 a share, the second lowest net since 1955. In 1959 Gladding had earned $1.82 a share; in record year 1957 profits came to $2.16.

The same basic business factors cut Gladding's first quarter 1961 net to 21¢ a share from 38¢. The comparison, chairman-president Christian W Planje stresses, is "particularly unfavorable because the first three months of last year was a period of high-level activity for industries directly affecting our sales."

But with business looking up, Gladding's fortunes are too. A company executive sees "certain definite signs of West Coast construction picking up" plus a "big catch-up business" in sewerage systems which is expected to continue "for some time to come."

Profits for the June quarter are estimated to be "at least as good" as the $603,000 (37¢ on fewer shares) earned in the April-June period last year. Netherlands-born, University of Illinois-educated Planje adds, however, this depends on 1) "whether the present pick-up in the steel industry continues," and 2) "whether residential and commercial construction levels continue to rise." He also states present industrial outlook "augurs well for a satisfactory year." He pledges: "Management will strive * * * to attain results for 1961 at least equal to those achieved in 1960."

Stockholders appear to have taken both bad & good news in stride. From an alltime high of 27 in 1959, the stock dropped to 16 late last year,

Gladding McBean fine Franciscan china

s now back to around 21. The company attributes recent GLD activity o "Wall Street rumors of our being nerged into a big company" but "we now nothing about it." The 25¢ uarterly dividend has been maintained steadfastly since the 1,700,-00 shares were listed on the Big Board following a 2-for-1 split in 957. It presently provides a yield f almost 5%.

About 11% of the stock is owned y 81-year-old former president tholl McBean and his family. Both e and son Peter serve as directors. hus is preserved a direct family nk to the founding of the company n 1875 by Atholl's father Peter IcGill McBean, Charles Gladding nd George Chambers. The trio ooled $12,000 in cash to start a mall sewer pipe company in Linoln, 25 miles north of Sacramento. n the 86 years since, the Company has moved its headquarters to Los Angeles and diversified substantially but it remains a distinctly Western enterprise.

However after War II it extended operations slightly eastward. In 1947 it formed with Utah Fire Clay Company the Murray (Utah) Refractories to produce silica refractory products. Last August Gladding purchased Utah Fire Clay itself and both that company and Murray were merged into Gladding.

This March the clay products firm further intensified its Utah position with the purchase of Harrisville Brick of Ogden. A company spokesman states: "We plan to be much more active in the Intermountain States. We are building a warehouse so we can bring our other products to this area."

Gladding also recently took a big step abroad. This Spring it licensed

Demarquest of France and Trelleborgs Gummifabriks AB of Sweden to make ceramic radomes for the European market. With an eye to expanded international markets, vp George Naylon Jr has noted: "If the proper situations can be located [in leading Continental ceramic firms], it would be our plan to acquire a minority interest in these firms and to exchange with them technological skills and management know-how."

To meet the "increasing impact" of low-price imported tile as well as increased "cut-rate" domestic competition, Gladding last August also arranged for Japanese tile maker Ina Seito Kaisha Ltd to manufacture "Franciscan Trend Tile" which Gladding will market in the US. While the company has "no real sales in this line yet, it is just beginning to build stocks now." And since 1957 two Japanese ceramic firms have been making some of Gladding's dinnerware which is sold under the Franciscan trade name.

Tariff Stand-Off

Last month the Tariff Commission unanimously recommended increased tariffs on imports of the "smaller" ceramic mosaic tile. However Gladding doubts its operations would be "materially affected in either direction since we manufacture both domestically and overseas."

The clay & tile products of the diversified Pacific Coast octogenarian are handily grouped into five categories. First, architectural products for commercial and residential construction include ceramic veneer, roof tiles and Hermosa floor & wall tile. Next, pipe products include vitrified clay sewer pipe and electrical conduit, drain tile and flue lining. Third, refractory products which cover various types and grades of firebrick for steel producers and metal companies. The Franciscan dinnerware division produces and sells its nationally distributed china & earthenware products.

The final group is the Technical Ceramics division, formed only in September 1959. It makes ceramic and metal-ceramic products for military applications, the electronics industry and nuclear energy field. Its ceramic radomes are currently in use on Raytheon's Sparrow III missile. Sales of this division represent a very minor part of the company's total volume at this time. Gladding officials feel Technical Ceramics "has a very bright future but it does take a while to get off the ground."

As a member of the ceramics industry "which has been historically based on art rather than scientific investigation in depth," Gladding McBean has devoted "a constantly increasing amount of funds" to R&D. Expenditures this year "for pure R&D exclusive of Government-sponsored projects" are budgeted at a half million dollars, an increase of 20% over last year. Projects range from new "metal-ceramic applications for both dinnerware and technical applications" to improved wall tile to expanded applications of Speed Seal joints used on large-size pipe. And for long-range planning in R&D, last year "a 25-year program was conceived for the expansion of facilities and personnel."

PACKAGING

Standard Packaging Vends

ONE OF THE automation boons shortly to be bestowed on housewives by Standard Packaging Corp are Stancraft greeting card vendors (see picture). Shoppers will be able to purchase polyethylene-wrapped birthday or get-well notes along with the family groceries at the local supermarket. The Stancraft machine is as easily operated as a juke box and offers a similarly stimulating selection of 160 greeting cards.

Introducing the new machine two weeks ago at a New York press conference, Standard Packaging chairman Reuben Carl Chandler stated: "We expect to produce 5,000 vending machines in the next 12-to-18 months. Our market research indicates these machines once installed should bring our retail greeting card sales to approximately $6,000,000."

To keep well ahead of any competition which may spring up, Standard Packaging bought Wichman Engineering Company of Steger, Ill, developers of the Stancraft greeting card vendor. "Hap" Chandler points out "Standard's greeting card operation is unique. We are fully integrated from tree to finished product." Standard begins by developing and producing greeting card stock at its own paper mills. The Brown & Bigelow division (acquired in April 1960) designs and prints the greeting cards. Polyethylene wrappers are produced by Shelly Inc, another Standard Packaging division and finally the cards are sold through Stancraft vending machines. Standard will first place the vendors in supermarkets but may consider hotel lobbies, motels, schools, airports, hospitals and drug stores for future location.

Last year Standard's packaging materials, packages, paper products, paper, paperboard, pulp, liners, industrial laminations and closures brought sales to $140,700,000. This includes sales of Brown & Bigelow for all of 1960. Earnings were $4,165,000 or $1 a share which compares with pro forma earnings of $6,040,000 ($1.80 a share) in 1959. Hap Chandler comments: "The entire paper industry turned in very poor earnings in the last half of 1960; our paper and board operations were no exception."

But chairman Chandler is optimistic for 1961. "We've rebuilt two major paper machines, increased efficiency, accelerated our product development program, improved productivity, lowered costs and ex-

Automatic greetings

panded our research & development staff."

But as yet these improvements have not made their mark in Standard's financial statement. Sales for the twelve weeks ended March 26 were $30,100,000 *v* $31,100,000 in the same period a year ago. Profits came to 17¢ a share compared with 27¢ last year.

RETAIL TRADE
Giant Food Growth

LAST WEEK District of Columbia supermarketer Giant Food Inc reported a nice pair of records for the fiscal year ended April. Sales climbed 11% to $146,700,000. Profits rose 35% to $1,900,000 or $1.46 a share compared to $1.08 last year.

Giant Food operates 55 supermarkets mostly clustered around Washington but also located in Maryland and Virginia. The company was established in 1935 by Samuel Lehrman who died in 1949 and Nehemiah ("a Biblical name") Mayer Cohen, now president. Nehemiah's sons, Israel and Emanuel, are vice president and treasurer respectively. Samuel's son & heir Jacob (Jac) Lehrman is executive vice president of the company. He has four children from 9-to-20 years old but none in the business—yet.

Both founding families were originally from Pennsylvania: "The Cohens owned grocery stores and the Lehrmans a wholesale grocery business." They decided to join forces and selected the nation's capital as "a stable market."

The company went public just one and a half years ago when 200,000 non-voting Class A shares were offered at $16 each (the founding families retain another 221,000 shares). This March the A stock moved to the Amex where it now trades around an alltime high of 26. The company is frequently confused with Food Giant Markets, a West Coast chain with stock listed on the Big Board.

The rest of Giant Food's common capitalization is all family-owned. It includes 614,000 B shares which are convertible into A stock plus three additional series totaling 250,000 shares which comprise all the voting power in the company.

Only the Class A receives dividends which are currently 10¢ a quarter. Jac Lehrman states: "We have an ambitious program of opening new stores and do not feel a dividend increase would serve our stockholders well now." A stock dividend "is always a possibility but it hasn't been discussed yet."

In the next 18 months Giant Food plans to open about a dozen 30,000-square-foot & up stores *v* its annual average of four-to-five. The $28,000,000-assets chain intends to "stay within a 100-mile radius of our distribution center" in Landover, Md outside Washington.

"Some of the new stores" will be leased from Giant Food Properties Inc. This $18,000,000-assets shopping center developer was set up in 1956 by Jac Lehrman, NM Cohen and Washington's Tower Construction Company. The founders own 30% of the 1,600,000 Properties shares which sell over-the-counter around 3. Jac Lehrman stresses: "There is no intercorporate relation-

ship except that Properties has to make its first offer to us." At present seven of the company's 55 stores are leased from Giant Food Properties.

Vice president Lehrman continues his store story: "For some time we have felt we could do well in the discount store field which we have already tried to some extent through our Super Giants." These stores follow the pattern—though on a more limited scale in both store size and merchandise range—of Grand Union's Grand-Way concept (IR, April 27, 1960). They sell "an expanded line of merchandise including hardware, soft goods such as skirt & sweater coordinates, children's clothes or just about everything a variety store carries." They now number a dozen, range up to 54,000 square feet in size which is about equally divided between general merchandise and grocery items.

Hot Discount Competition

Of the new Giant Food marts "one or two may be greatly expanded to carry 60-to-70,000 square feet of general merchandise and 20,000 square feet of grocery products." Competition in the discount field will be hot. Woolworth (see page 6), perhaps Lane Bryant and SS Kresge, will also get into the business. Despite this, Giant Food aims for a "15% return on capital. We will try to keep the price structure in line."

Also on the company's agenda is a $1,500,000 dairy processing plant to be finished next Summer. "In our area Safeway, for example, has its own dairy products and we haven't been as competitive here as we should be." Giant Food has a bakery and a salad kitchen making products sold under the Heidi brand.

In the past Giant Food profit margins have averaged only a little over 1%. They are now "up to 1⅓% but pretty much everyone in the industry gets roughly 1.5%." Jac Lehrman notes "we can still improve ours a little." One aid: "A&P has moved its price structure up a little which allows us to do the same."

The 50-year-old executive continues: "We have tried to make our marketing people recognize the importance of both customers and stockholders. In purchasing, pricing, displaying, they have come more in line with the industry." But the Federal Trade Commission recently instituted proceedings against Giant Food charging "fictitious pricing practices in advertising appliances and other non-food items." Vice president Lehrman claims the suit is "much ado about nothing."

Confident of future growth he asserts: "Our new stores average $2-to-3,000,000 a year. By 1965 we should have a total volume around $200,000,000. If the discount stores develop, there will be a little bulge." Based on present margins he then works out share profits four years hence—"$2.10 or better than that if we attain the 1.5% profit margins."

WALL STREET
Dividend Dolor

EVEN with business on the upgrade, some stockholders still are faced with dividend cuts and omissions. A couple of recent examples:

- Despite a cash flow of almost $13

a share in tempestuous 1960, Eastern Air Lines felt the need to conserve cash. At the May dividend meeting directors voted to pass the dividend on EAL common, gave as reasons losses from the flight engineers' strike in February, the new jet equipment program and unfavorable opportunities in the industry. EAL common which had been trading only a point or so off its high for the year promptly dropped four points to 27.

• General Baking directors, who in March voted to pass the common dividend, at their May meeting also omitted the $2 quarterly on the preferred. As a result General Baking preferred quickly dropped 25 points or so but as of last week was still selling at 100.

WE HEAR FROM . . .
Wickes Whiffs

SAGINAW, MICH

Gentlemen:

I think the May 24 article on Wickes was very well done. However, there are two errors on which I would like to comment.

First, since last December the company has been on a 20¢ quarterly dividend basis rather than 15¢; and second the adjusted stock price for 1947 should be 3⅛ and not 2.

Very truly yours,
R Preston Davis,
Public Relations Director,
The Wickes Corporation

Coro Price

DELMAR, NY

Gentlemen:

It is noted in your May 24 article with regard to Coro Inc that you stated the common stock reached 23 in 1960. In accordance to Standard & Poor's high should have been 18⅜.

Very truly yours,
Theodore H Were

Sorry—and thanks to two alert readers.—*Ed.*

TOBACCO
DWG Cigar Tally

ON MAY DAY this year Detroit-based DWG Cigar Corp took a big step south with the acquisition of 47-year-old New Orleans cigar maker M Trelles & Company. Trelles, whose biggest seller is the 15¢ El Trelles, will add about $3,000,000 annually to DWG volume. It vends its stogies in Louisiana, Texas, Mississippi and parts of Alabama; except for Texas, this terrain represents new markets for DWG.

DWG's own smoking grounds are mostly the Midwest and Far West with home state Michigan providing about 20% of total sales. The company's No 1 brand is the 10-to-25¢ RG Dun which president Norman Schwartz says accounts for "40-to-50% of our business." DWG "has a good many cigars from 15¢ up" but concentrates on the popular 5-to-12½¢ range. Other big sellers are El Verso, Y-B, Emerson, Odin plus cigarillos RG Dun, El Verso and Santa Fe. It also makes a cigaret-sized cigar named Marlin.

Last year DWG suffered its first financial decline since 1954. Though unit volume was off only 1% the trend "to the smaller [and cheaper] cigars" was reflected in a 5% sales decline to $21,000,000. Profits fell to $825,000 or $1.73 a share from $2.05. Norm Schwartz attributes the decline to the 20% Michigan cigar tax which was instituted in January 1960 and to "the recession, particularly in the heavy goods manufacturing regions" where DWG is prominent.

This year "we are pretty sure" the

Michigan tax will expire the end of June. Retailers are holding off buying until then. Thus DWG "will not do so well in the first half of this year but we expect nice gains in the last half." First quarter earnings were 25¢ a share or the same as a year earlier despite a 5% dip in volume.

For the full year, president Schwartz expects "our sales and profits will at least equal 1960." This is before counting Trelles "which will add about 15% to volume, absorb some overhead and increase our entire rate of profit." So on a consolidated basis "we should be ahead."

DWG itself has been busy cutting costs. Last year it consolidated some processing operations which should aid margins. DWG has already realized substantial savings from the homogenized binder which it uses on about 80% of its smokes. This process grinds the whole tobacco leaf, stem and all, into a sheet which is then machine-wrapped around the cigar fill as opposed to the old hand binding methods. Norm Schwartz estimates savings of $5 on each 1,000 cigars produced.

Homogenized Wrappers

Currently DWG is testing a homogenized wrapper (around the entire cigar) on its plastic-tipped "light leaf" El Verso. The process "still has problems." The main one is the wrapper is dissolved by saliva and hence necessitates a plastic tip. But since the outer wrapper leaf is the most costly (per pound) part of a cigar, when the process is perfected "savings could be very substantial." Some industry experts figure the potential economy as high as $8 a 1,000 units.

Cigars in the making

Norm Schwartz's search for economies is backed by a lifetime of cigar knowhow. His father founded Bernard Schwartz Cigar Corp which was merged into DWG in 1929. Norm himself has been in the cigar business since he was 18. Now 62, he maintains: "We are a growth company and like to retain our earnings for future growth."

With this in mind Wall Streeters have little hope for any increase in the current cash dividend of 20¢ quarterly. However if earnings warrant, some think a small stock payment is possible. The company previously issued 25% in stock in December 1959. But even without a dividend sweetener, based on the current Big Board price of 21, the 476,000 DWG shares (27% closely held) now yield close to 4%.

The Nation's Plastics on Review

New Products and Uses Shown in New York, Industry's Capital for Week

THIS VERY DAY the chemical magicians who use petroleum, coal and air to make everything from nose cones to squeeze bottles are present in body or spirit at the New York Coliseum where the ninth National Plastics Exposition is being held. And across town at the Hotel Commodore the National Plastics Conference holds forth. From June 5 through June 9 some 30,000 people associated with the plastics industry will see the exhibits at the Coliseum and 1,500-to-2,000 each day will hear the talks at the Conference.

As they convene, the plastics men will be looking for more of the fabulous new materials and ingenious applications which have spurred the industry to production of 6 billion pounds in 1960 against 4.5 billion in 1958 and 2.2 billion in 1950. At the same time they will pause to consider problems besetting their industry: 1) overcapacity in some lines; 2) increasing foreign competition cutting into one of this country's genuinely thriving export markets and 3) competition of plastics against plastics.

These problems loom ahead of the industry. During 1960 the general downturn of business coupled with a slowdown in the proliferation of new uses for existing plastics made the 6 billion-pound production something of an anticlimax for it was practically unchanged from 1959.

As they wander about the aisles, the plastics men will see demonstrations featuring the latest doings in such fast-growing plastics as polypropylene, which combines light weight and impact resistance; linear polyethylene, the tougher, stiffer version of the familiar hula-hoop resin, which has carved a big place for itself in blow-molded bottles for detergents; urethane foams, used for insulation in everything from refrigerator trucks to sportsmen's jackets and for cushioning in modern furniture, whether in the home or in luxury airliners.

All told there are over 250 participating companies, by far the largest number in this exposition which is held every 2½ years. They include the huge chemical companies, the major machinery manufacturers and the smaller companies which turn out the finished goods which even now surround almost every reader of this article.

Among the eye-catching displays is a 35-foot racing sloop which greets viewers as they step off the escalator. Exhibited by Celanese Corp which calls it "the biggest single item on display at the Exposition" the seagoing vessel boasts a hull molded of glass-reinforced Celanese polyester resin. It was made by Pearson Corp of Bristol, RI and sports a $17,985 price tag.

Less expensive (costing around $300) but also in the nautical line is a nine-foot sailboat displayed by the US Industrial Chemicals division of National Distillers. It is molded

from Microthene, the company's brand of powdered polyethylene.

Various exhibits show polypropylene. US pioneer Hercules, which began producing the plastic in November 1957, exhibits Pro-fax in film and molded forms. Hercules will continue to be the industry leader in volume with a maximum 120,000,000-pound capacity. Its first plant is at Parlin, NJ; its second at Lake Charles, La is being doubled with the new facilities to be finished next year.

Though earliest in the US with polypropylene, Hercules now has plenty of company. Dow, Kodak's Texas-Eastman subsidiary (IR, March 1), AviSun (joint venture of American Viscose and Sun Oil) and Jersey Standard's Enjay Chemical and Firestone are all in the business and all are at the show.

Pioneer in Italy

Also on hand is Novamont Corp, a US subsidiary of Italian chemical giant Montecatini, world pioneer in polypropylene as a result of the work of Professor Giulio Natta. Novamont is building a 25,000,000-pound-a-year plant in Neal, W Va. Another Montecatini subsidiary, Chemore Corp, has an agreement with W R Grace for marketing of polypropylene imported from Italy. Polypropylene applications featured at the show include packaging film fiber and molded items. One example: luggage.

The methods used in developing polypropylene have enabled the plastics scientists to tailor other plastics to specifications desired. Besides Milan Polytechnic Institute's Professor Natta, German chemist Karl Ziegler was an important factor in these efforts.

Also drawing keen looks from the plastics men will be the polycarbonates, a comparatively new plastics discovery. Prime exhibitors here are General Electric with its Lexan (IR, Sept 28, 1960) and Mobay Chemical Corp with its Merlon. Mobay is jointly owned by Monsanto Chemical and Farbenfabriken Bayer of Germany which discovered polycarbonates at about the same time as GE. These tough substances take more heat and more beating than most plastics, bid vigorously to replace metals rather than wood or other plastics.

Another fast-moving plastics field is the polyurethane group, particularly the foam types—both flexible and rigid. Exhibiting these chemicals are Hooker's Durez Plastics division, Reichhold Chemicals, duPont's Polychem department, B F Goodrich Chemical, Mobay and Nopco Chemical. Urethane foams are being used for furniture cushioning, building insulation (to protect against exchange of both heat and sound), clothing interlinings and even missile nose cones. It comes in sheets but can also be sprayed into place, filling cavities between walls or other outer coverings.

While these and other recent plastics get a close look, the industry men will also be watching for examples of their heaviest volume seller, polyethylene. The industry produced 1.2 billion pounds of this compound in 1960 *v* 1.1 billion in 1959. Most of this—in fact just over a billion pounds—is high-pressure polyeth-

Multiple new plastic uses

ylene, the familiar substance of squeeze bottles, garden hoses, containers and packaging film. High-pressure poly showed only a slight increase in use over the previous year though capacity is moving ahead sharply to an anticipated 2.1 billion pounds in 1962, leaving a large marketing question.

In contrast to the currently static picture for high-pressure polyethylene is that of linear or low-pressure polyethylene. Produced under lower pressures with the aid of catalysts, this material is stiffer and more resistant to high temperatures than its older brother.

Among exhibitors of linear polyethylene at the Plastics Exposition are W R Grace, Texas Eastman, Celanese, Phillips Chemical (subsidiary of Phillips Pete) and Goodrich-Gulf Chemicals as well as Hercules. The development of linear polyethylene has gone hand-in-hand with the growth of the manufacturing process called blow-molding. A mechanical version of glass blowing, this process enables the industry to turn out bottles and even larger containers in big one-piece units. Because of the toughness of linear polyethylene, the walls of the vessel need not be as thick. Bottles made by this process have grabbed a good part of the liquid detergent market, are now being tried as containers for bleaches. Grace is showing sample bottles for that purpose.

The emergence of linear polyethylene and its broad use are examples of what plastics men can do. In almost every family of plastics there are countless co-polymers—brand-new variations of existing molecules—to be explored. And when worked out, there will be more new uses to which they can be put, supplementing or replacing older materials.

Right now a big target for the plastics industry is building materials. Exposition visitors will be able to see some extensive household applications in such exhibits as BF Goodrich Chemicals' (see picture) or the prefabricated reinforced polyester house called "Casa Snia" of Italian plasticist Snia Viscosa SpA.

However, this promising area also serves as a prime example that development of good and economical products is not the only challenge which plastics men must meet. They must also be prepared to wage educational campaigns because obsolescent building codes in many communities do not recognize many of the newer plastics uses.

Freeze-Dried Foods—A High-Priced Bow

Early Servings of No-Refrigeration Dishes, Tasty, Convenient, Costly

LUNCH WAS SERVED last fortnight at the Savoy-Hilton in Manhattan by meat packer Armour & Company. An overflow crowd of almost 200 reporters was treated to a preview of Armour's new Star Lite line of freeze-dried "no refrigeration" foods. After a sampling of non-dehydrated cocktails, freeze-dried shrimp and glazed ham ball hors d'oeuvres, guests were treated to a potpourri of Star Lite products including beef and chicken stews, pork chops and scrambled eggs.

This month the general public will get a crack at "this major breakthrough in processed foods." Since the products feature exceptional keeping qualities without refrigeration as well as light weight (one-third to one-eighth of original weight) and easy preparation, Armour initially aims for hunters, campers and fishermen. It will limit distribution to mail order outlets and sporting goods stores.

The company hopes this Summer's test tasters will include "all types of outdoorsmen, construction crews, scientific & industrial exploring parties, picnickers as well as relief & disaster agencies." If it is successful in whetting the public appetite, the meat packer will increase production this Fall.

Freeze-dry proponents maintain these products taste like frozen foods and keep like canned goods. Simply stated, freeze-drying involves the removal of 98% of the moisture of a raw or cooked frozen product under high vacuum conditions (the equivalent of an altitude of 40-to-50 miles) with just a gentle amount of heat. Because the frozen food is dehydrated in a vacuum chamber, the ice crystals bypass the water stage and immediately pass off as vapor, thus preserving the quality and flavor of the product. The finished product retains its original shape although it becomes brittle in texture and sponge-like in appearance.

For protection against breakage, light and atmospheric conditions which cause deterioration, the freeze-dried product must be packaged in a sturdy, opaque, hermetically sealed container. Then it can be kept on the supermarket or pantry shelf up to two years with no danger of spoilage. Freeze-dried products are "reconstituted" merely by soaking in water for a few minutes. Depending on the nature of the food, it is either chilled, cooked or eaten as is.

Vice president John M Hoerner of Armour's grocery products division feels "the current market for freeze-dried foods includes all persons who have a need or desire for fresh meats and meat dishes, yet have problems with refrigeration required to insure freshness. In the near future, even housewives will find that freeze-dried foods possess certain advantages in maintaining a convenient and easy-to-prepare supply of fresh tasting and nutritionally complete meat products."

Freeze-dried foods have many ad-

vantages over their frozen, dehydrated and canned food counterparts. Chief among them are: 1) greater convenience since perishable foods can be kept on the shelf instead of the freezer; 2) retention of original shape and size; 3) easier reconstitution than dehydrated foods; 4) retention of "near original" flavor, odor and color; 5) reduced handling and storage costs because refrigeration is eliminated; 6) reduced shipping weight as well as the ability to be packaged and shipped in bulk.

Freeze-Dry Drawbacks

At present, however, these advantages are greatly overshadowed by high cost—both in initial investment and processing. A single vacuum chamber drying system (using refrigeration for water removal) with a 400,000 pound yearly capacity costs between $80-and-100,000 installed. The cost is somewhat reduced on multiple installations. But since the food must be frozen before it goes into the vacuum drier, the processor must also buy and operate quick-freezing equipment or—considered more likely for small companies—buy his food already frozen from a member of the regular frozen food industry.

Most of the equipment in use today is the "batch" type although some continuous lines do exist. Since each batch (averaging roughly half a ton of food) takes from 12-to-24 hours to dry out, freeze-drying costs are multiplied. The present cost figure for the full process is estimated between 5-and-10¢ a pound of the reconstituted product *v* "not over 2¢" for normal quick freezing. As a result, Armour's freeze-dried stews are to retail at $2 for four modest portions while two 2-egg servings of scrambled eggs come to $1.10.

A large part of the equipment in actual use today is supplied by F J Stokes, a privately owned Philadelphia company with annual sales volume over $10,000,000. National Research Corp of Boston and California-based Vacudyne Corp have also been in this field "for many years." Recent entry Food Machinery & Chemical Corp (whose name shortens to FMC Corp July 1) has a freeze-drying installation at Santa Clara, Cal which is "capable of converting 1,000-pound batches." It is "available to anyone at a nominal charge for sample testing" and Food Machinery plans to manufacture and sell or lease freeze-drying plants to food packers or processors.

According to Edward Seltzer, assistant research director of Thomas J Lipton Inc, the expense of freeze-drying is justifiable only under two conditions: "First, the freeze-dried product has to be conspicuously better than when dried by other conventional methods. Second, the value of the dry solids in the raw materials being processed has to be sufficiently high that the freeze-drying costs will be a reasonably small percentage of the final total costs." Prime examples: steak, lobster, shrimp.

Armour's John Hoerner concedes "initially * * * Armour's freeze-dried foods will be competing [only] against foods processed by other dehydration methods." But he insists: "As technical advances are made and freeze-dry costs are lowered, we

would expect that freeze-dried foods will be competing with foods processed by all other methods of food preservation."

Dehydrofreezing Differences

Another recently advanced food preservation method is dehydrofreezing which is often confused with freeze-drying though it is far different. Developed by the US Agriculture Department's Western Research Lab after ten years of research, dehydrofreezing first removes up to 70% of the moisture from the product in a continuous operation. Freezing follows. The dehydrofrozen product loses about half its original weight. It is reconstituted by soaking in water but this is the only major similarity with freeze-drying.

Dehydrofrozen foods shrink to half their size. Since they remain in the frozen state, they must be stored and shipped under refrigeration. Dehydrofreezing has been applied successfully to apple slices, diced potatoes, diced carrots, peas and pimientos. Its cost is the same as frozen foods but the weight savings reduce shipping expenses.

These developments show the alertness to technological opportunities by an industry long characterized as technically conservative. But since the standard frozen food boom which began in earnest a decade ago, food companies have become increasingly eager to sponsor innovations. One example: dietary weight control foods (IR, Oct 12, 1960) whose sales are now estimated well over $100,000,000.

But freeze-drying, some industry conservatives predict, may take another ten years to become commercially profitable. And though Armour rightly labels freeze-drying "an important new development," the process has actually been around for over 25 years. In fact as early as the Eighteenth Century it was mentioned as a "scientific curiosity." In the 1930s freeze-drying found practical application in the pharmaceutical and biological fields for processing and preserving heat-sensitive materials such as plasma, vaccines and antibiotics.

Dissatisfaction with certain dehydrated foods which were prepared for the Armed Forces during War II led the Government and individual food companies to investigate vacuum freeze-drying possibilities. The Quartermaster Corps has spurred industry interest in applications for commercial food production through research contracts. At present, meat packers Wilson and Armour supply freeze-dried steak and hamburgers for taste-tests at various military bases. According to Dr Harry E Goresline, deputy scientific director

Freeze-dried fisherman fare

of the Quartermaster's Food & Container Institute, some 45 items have been tried in around 20 menus, allowing "greater nutrition for the field soldier as well as greater variety and flavor to his meals."

Armour is a relative newcomer to the freeze-drying industry. For the past three years Wilson has been marketing freeze-dried meats on an increasing scale. Although the bulk of its Omaha plant output is for the military, the company is currently selling these foods nationally under private labels. A year and a half ago Lipton introduced freeze-dried chicken and mushrooms into its dehydrated soup mixes.

United Fruit Entry

To lessen its dependence on erratic banana crops, United Fruit Company last September acquired freeze-dry shrimp processor Liana Inc of Texas. Liana, now part of new subsidiary United Fruit & Food Corp, recently expanded its processing facilities, reports "sales to institutions ahead of expectations." United Fruit prexy Thomas E Sunderland informs: "We are getting good prices * * * Because of development expenses, however, this operation will contribute little to net in 1961."

Not to be outdone, most of the larger food processors are investigating freeze-dry possibilities. General Foods is currently test marketing dehydrofrozen baby foods in upper New York while its Bird's Eye division continues to research the freeze-drying process. National Dairy, Heinz, Stokely-Van Camp, Libby McNeill and Campbell Soup are also freeze-drying items at their food process research centers.

At the Corn Products annual meeting last month president William T Brady noted freeze-drying experiments are part of the company's dehydration work. "The big area of growth for Corn Products could develop in dehydrated foods and we look for growth in many areas outside the soup field. If our development work is successful, Corn Products could become a major factor in the food field outside of the areas it's already in."

Freeze-dried products (as well as dehydrofrozen ones) also offer US companies excellent export opportunities since most overseas countries lack adequate refrigeration facilities; furthermore, shipping costs for the weight-reduced freeze-dried foods would be low.

All in all, freeze-drying and similar processing methods can look to a promising market—if & when costs can be brought to more competitive levels. Some enthusiasts like to cite the record of frozen foods which sprouted from a mere $245,000,000 volume in 1947 and a half billion in 1950 to an estimated $3 billion business last year.

But whether or not freeze-drying can parallel such growth, prudent investors should recall another aspect of the frozen food boom which will almost inevitably be paralleled: of hundreds of companies which optimistically rushed into frozen foods and found ready buyers for their stock flotations (if not for their wares), only a relative handful survived to see the industry boom materialize.

Bright New Line on Big Board

Texas Eastern Leaves Off-Board Market to Become Biggest Listee in Years

JUST ONE WEEK from today the Big Board will welcome its big-
;est newcomer since supermarket
;iant A&P listed 2½ years ago. The
iew arrival is Texas Eastern Trans-
nission Corp which plans to list its
.8,700,000 over-the-counter traded
ommon shares not only on the Big
3oard but on the Midwest and Pa-
ific Coast exchanges as well. At the
ame time Texas Eastern's eleven is-
ues of preferred will all be listed on
he Philadelphia-Baltimore Ex-
hange. Until the listing, $900,000,-
)00-assets Texas Eastern enjoys the
listinction of being the largest in-
lustrial or utility company traded in
he over-the-counter market.

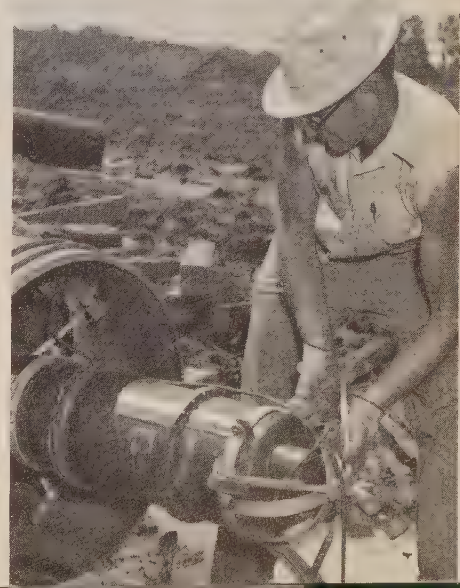
In advance of the NYSE debut,
'exas Eastern's 62,000 stockholders
ormally approved a 2-for-1 com-
ion split at the annual meeting in
ate April. Two days later directors
eclared an initial quarterly divi-
end of 20¢ on the new shares, 14%
bove the old rate. At its current
rice of 19 Texas Eastern now yields
round 4.2%.

Though only a decade and a half
ld, Texas Eastern has been an
dult almost since birth. It was
ormed in 1947 when the late Okla-
oma industrialist E Holley Poe,
Iouston attorney Charles I Francis,
ngineers George & Herman Brown
f Houston and United Gas Corp vp
eginald H Hargrove got together
nd submitted the winning $143,-
27,000 bid for the Big Inch and Little Big Inch. These were the two Government pipelines built during the wartime tanker shortage to ship oil and refined products from the Texas oil fields to the New York and Philadelphia areas. The enterprising founders who visualized the postwar possibilities of natural gas quickly converted both pipelines to natural gas use and Texas Eastern was in business by May of that year.

George Brown became chairman of the company, a post he still holds. Brother Herman as well as lawyer Francis continue to hold seats on the board. Reginald Hargrove became president and chief executive officer and guided the company until his death in 1954. Current president is Orville S Carpenter who was Texas Eastern's first comptroller.

At the time of purchase the two pipelines stretched a total of 3,182

X-Ray check of pipe welds



miles with a delivery capacity of only 138,000,000 cubic feet of gas a day. Expansions and additions have more than doubled the length to 6,600 miles of gas pipeline and boosted capacity 14-fold to more than 2 billion cubic feet a day. The system extends from Texas Eastern's supply sources in the Rio Grande Valley and the Texas and Louisiana Gulf Coasts northeastward to metropolitan Philadelphia and New York. The majority of gas sales go to customer systems in Ohio, Pennsylvania, New Jersey and New York with eight utilities accounting for roughly 85% of the total. But Texas Eastern's total market territory encompasses an additional eleven states. Affiliate Algonquin Gas Transmission (28% owned) serves New England as far as Boston, as well as customers in New Jersey and New York.

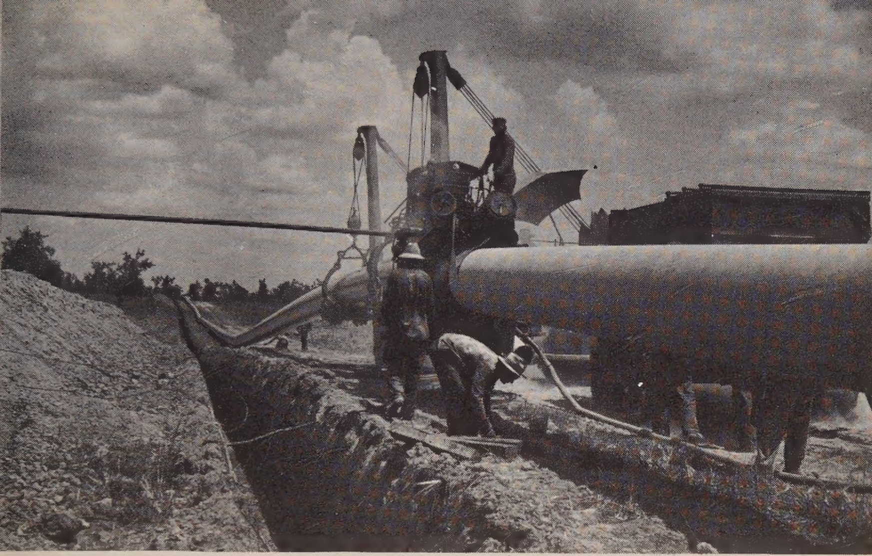
Other Products Carried

While primarily a gas transmission company (83% of revenues and virtually all of profits) Texas Eastern differs from many natural gas pipeline companies in that it has recently branched into other fields. In 1958 the company reconverted a portion of the Little Big Inch to transportation of petroleum products. Now with more than 2,000 miles of pipeline extending from Texas to Illinois and Ohio plus extensive above-ground and underground storage facilities, it ranks as the nation's largest common carrier of refined petroleum products. This business accounts for around 4% of Texas Eastern revenues but has yet to make any contribution to profits. It currently operates on a "break-even" basis.

Texas Eastern also has a thriving oil & gas production business which is carried on by its own production division and wholly owned subsidiary La Gloria Oil & Gas Company. Between these two Texas Eastern has varying interests in 557 producing oil wells and 278 producing gas wells in 14 states. Last year the oil division participated in the drilling of 95 wells. This division brings in around 12% of company revenues and supplies Texas Eastern with around 7% of its gas needs. The rest of Texas Eastern gas is purchased under contract from Texas Gas Transmission, United Gas as well as directly from several hundred independent gas producers. Profits from the oil & gas division are mostly plowed right back into exploration.

Over the years Texas Eastern has shown steady growth. In the past decade alone revenues have almost quadrupled, profits almost tripled. Last year's revenues of $316,500,000 were 10% ahead of 1959. Net income of $25,400,000 was up 29%. Because of the continuing need for equity financing per share earnings have not kept pace. However last year's net of $1.04 a share (adjusted for the split) was second only to the $1.23 netted in 1957.

This year March quarter revenues gained another 7% to $89,300,000 while profits climbed 13% to 34¢ from 30¢ the year before. For the full year Texas Eastern financial vice president James W Hargrove (son of late president Reginald) has estimated earnings "should be in



New pipe automatically coated and wrapped

he range [we] earned in 1960 hough they could vary upwards as vell as downwards." Jim Hargrove onservatively takes into account 'an increase in our gas costs in Лay. Also while we don't sell to ndustry directly, our customers do nd it is hard to tell how much gas hey will need."

Unlike many of its utility brethren 'exas Eastern can report current arnings on a "true basis." In the rst two months of this year the ompany settled all its outstanding ate cases before the FPC. Under ie agreement the FPC allowed 'exas Eastern a 6¼% return on its ivestment and the company was rdered to refund a total of $29,-00,000 plus 6% interest a year to s customers from rate increases col-ected since 1957. As a result Texas astern net in the years from 1957 n has been readjusted downward.

Jim Hargrove calls the settlement reasonable. I don't think 6¼% is a sufficient rate of return but it is only one element in the cost of serv-ice. When you take into considera-tion the others [such as gas costs, labor, insurance, taxes] we are sat-isfied." Another important factor: "This settlement now places us in a position to report earnings and know that the dollars we report are actu-ally ours." This of course holds only until the company decides to file for another rate increase. As yet Texas Eastern has no plans. But "if our costs of gas go up substantially we might have to."

Like all utilities Texas Eastern ex-pansion and growth have necessitated a never-ending trek to the money market as witnessed by the complex Texas Eastern capitalization. Its al-most $500,000,000 in long-term debt includes no less than 13 First Mort-gage Pipe Line bonds and a handful of other mortgages, debentures and bank notes. Then there are the eleven series of preferred totaling 1,300,-

000 shares and the 18,700,000 shares of common.

Most recent trip to market was in January when the company sold \$30,000,000 in 5% First Mortgage Pipe Line bonds and \$15,000,000 in preferred. These are to help pay for part of the company's current construction program which Jim Hargrove estimates around \$90,000,000 this year.

Chief project is a 225,000,000 cubic foot a day expansion in natural gas facilities. Texas Eastern hopes to have half completed for the 1961-62 heating season, the rest next year. The petition awaits FPC approval and Jim Hargrove hopes to get at least a temporary certificate "within a few weeks." If approved the project will boost Texas Eastern's natural gas capacity to 2.5 billion cubic feet a day and allow it to extend natural gas service to three new customers.

While most of its expansion is in natural gas Texas Eastern likes to think of itself as a "Pipeliner of Energy." It has already done much to "broaden its vision to include all the opportunities inherent in a concept of supplying energy rather than just natural gas." These vistas are also open to expansion. For example new underground storage facilities for LP gases are under construction at each end of the Little Big Inch pipeline: a 20,000,000 gallon facility at Mont Belvieu terminal in Texas and a 16,000,000 gallon cavern at the Todhunter terminal in Ohio. Another project is a 6,300,000 gallon storage cavern for propane near Princeton, Ind to serve southeastern Illinois, southwestern Indiana and northern Kentucky.

Nor is Texas Eastern content with its current energy fields. Of high priority is a study with Consolidation Coal on a possible coal pipeline project. And it is even extending its boundaries. Through newly formed Gasodar Sociedad Anonima, Texas Eastern has presented a \$380,000,000 bid to build and operate a natural gas pipeline in Argentina. As yet however, Jim Hargrove states, "this is not at the stage where we can say anything definite." At the same time through wholly owned subsidiary Etosha Petroleum Company it has begun "intensified exploration" for oil and gas production on a 56,000,000 acre concession in the Republic of South Africa-controlled Territory of South West Africa. While Jim Hargrove admits this is a "rank wildcat project; if it did develop into something it could be quite worthwhile."

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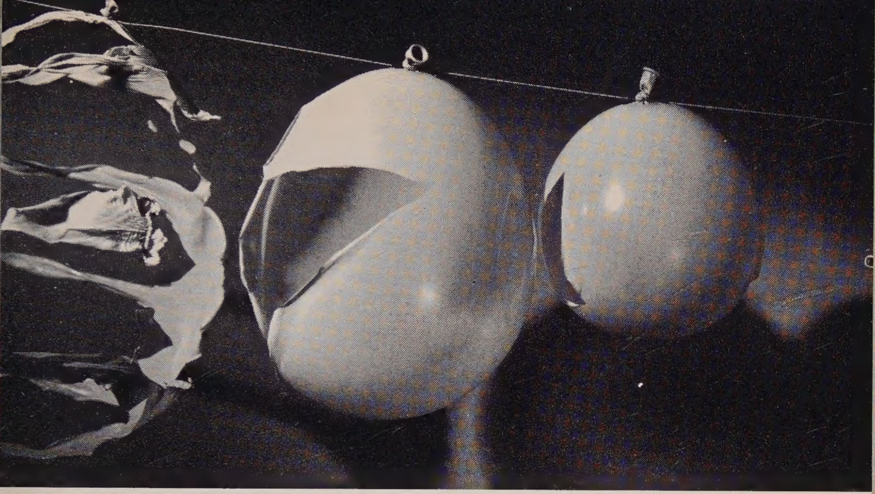

EGG ENTRY

Edgerton, Germeshausen & Grier, known to its acquaintances as "Egg," oes not encourage shutterbugs to try for a whiz of a picture like this portrait f a bullet (circled at right) shot through three balloons. Rather the Boston lectronic and photographic specialist hopes to dramatize the micro-second peed of its micro-flash equipment. Such elaborate photography, still a lab henomenon, is used to observe shock waves, record acoustic changes and ursue ballistic studies. Besides high speed optics, 14-year-old EG&G speializes in the fields of timing and control. It was a key participant in the onduct of nuclear weapon tests till their suspension in 1958. Chairman larold Edgerton, president Kenneth Germeshausen and executive vp Herbert Grier are pioneers in electronic circuitry and high power switching tubes.

Currently about three-fourths of the small company's sales (they reached 12,500,000 in 1960) are derived from design and production of electronic nd nucleonic systems equipment for the Government. EG&G is the instrumenition contractor for the timing control experiments on the Project Rover uclear rocket engine. Vice president Al Clark notes: "The project is moving long nicely" and a firable engine could be developed by 1965. The balance f EG&G sales come from production and sale of commercial equipment for ie measurement of ultra high frequency phenomena, high-power radar odulators, radiation detection, instrumentation for oceanographic exploraon and high-speed flash photography.

While EG&G activities have obvious glamor and earnings have grown eadily so far, the company is still small. Last year's net came to $323,000. ock available to outside investors is minute; of the 733,000 common shares utstanding only a little over 100,000 shares are publicly held. They were ld less than a year ago at $14.50. Since then the price has tripled so the w shares in the market sell at well over 90 times last year's earnings.

GEORGE +ABE=6

Every country in the world seems to have nicknames for its various denominations of money. The British, for example, talk of *bob* and *quid*, which are both singular and plural for shilling and pound, respectively.

In France, the nicknames are inspired by the people whose pictures appear on the various banknotes. The five-franc Victor Hugo note is called a *miserable*, the 50-franc Moliere note an *avare*, and the 100-franc Napoleon note (surprise!) a Napoleon.

And of course in this country we have bucks and sawbucks, centuries and grands. But wouldn't our conversation be livelier if we talked instead of Georges, Abes, and Alexes? You might, for example, call your Merrill Lynch account executive and say, "I have a few Bens I can spare, and I think I'd like to buy some stock."

As a matter of fact, you can start investing through the Monthly Investment Plan with as little as four Alexes or two Andys. With MIP, you pay as you go, monthly or quarterly, and buy stock by the George's worth instead of the share.

The important thing to remember is to put your Georges and Abes and Alexes to work to earn their keep as soon as you can. Your money may bear the motto "In God we trust"—but the Lord helps those who help themselves.

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